

The Defense Logistics Agency



**Ms. Kathy Cutler
TACOM/Industry
Symposium
March 17, 2004**



Agenda

- DLA Overview
- Performance Review
- Army RESET Support
- Supply Chain Integration
- DLA Transformation
- Business Systems Modernization
- Summary



DLA Vision...

- Right Item, Right Time, Right Place, Right Price, Every Time...
- Best Value Solutions For America's Warfighter

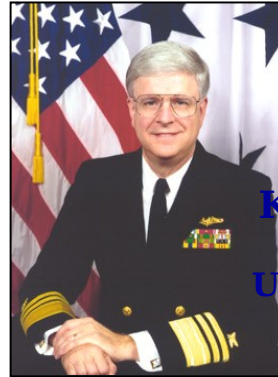


Defense Logistics

DIRECTOR ★ ★ ★
VICE ★ ★

SPECIAL STAFF

DIRECTOR



DLA Director
Vice Admiral
Keith W. Lipper
Supply Corps,
United States Navy



Vice Director
Major General
Mary Saunderson
United States
Air Force

DLA
SUPPORT
SERVICE
★

J-1
HUMAN
RESOURCES
★

J-3
LOGISTICS
OPERATIONS
★ ★

J-4
CUSTOMER
OPERATIONS &
REALITY
★

J-6
INFORMATION
OPERATIONS
★

J-8
FINANCIAL
OPERATIONS
★

J-9
JOINT
RESERVE
★ ★

DSCC
★

DSCR
★

DSCP
★

DESC
★

DDC
★

DRM ★
★

DNCS ★

DLA-P ★

DLA-E ★

DAPS

DLIS ★



The DLA Enterprise

FY02 Sales/Services:

\$21.5B

FY03 Sales/Services:

\$25B

- **Troop Support:** \$10.2B
- **Energy:** \$5.2B
- **Distribution:** \$2.2B
- **Other:** \$1.4B

Foreign Military Sales

- **Sales:** \$7.15M
- **Shipments:** 580K
- **Supporting** 124 Nations

Scope of Business

- **8,200 Contracts/Day**
- **#65 Fortune 500 - Above New York Times**
- **#2 in Top 50 Distribution Warehouses**
- **22 Distribution Depots**
- **4.6 Million NSNs**
- **24.7M Annual Receipts & Issues**
- **1312 Weapon Systems Supported**
- **147.7M Net Barrels Fuel Sold (100,000 Gallons)**
- **\$12.5B Annual Reutilizations/Dismantlements**

People

- **21,433 Civilians**
- **522 Active Duty Military**
- **618 Reserve Military**
- **Located in 48 States/28 Countries**



Focused on Customer

- **Combatant Command Liaison Officers:**
 - **Inside Joint Staff J4, EUCOM, PACOM, CENTCOM, TRANSCOM, SOUTHCOM/STRATCOM, JFCOM & NORTHCOM**
 - **Provides J-4 with Planning, Contingency, and Single Point of Contact for DLA Logistics Support**
- **DLA Contingency Support Teams**
 - **Deploys with Force as Requested by Combatant Commanders**
 - **Bosnia, Kosovo, Croatia, Kuwait, Iraq, and Uzbekistan Today**
 - **Provides On Site DLA Logistics, Asset Visibility Support**
- **Customer Engagement Strategy**
 - **National Account Managers/Customer Account Managers**



Lead Center Concept

**LEAD CENTER:
TROOP SUPPORT
&
GENERAL/INDUSTRIAL
SUPPLY**

**LEAD CENTER:
ENERGY**

**Defense Supply Center
Philadelphia, PA**

**LEAD CENTER:
LAND, MARITIME
& MISSILES**

**Defense Supply Center
Columbus, OH**



**Defense Energy Support Center
Ft Belvoir, VA**



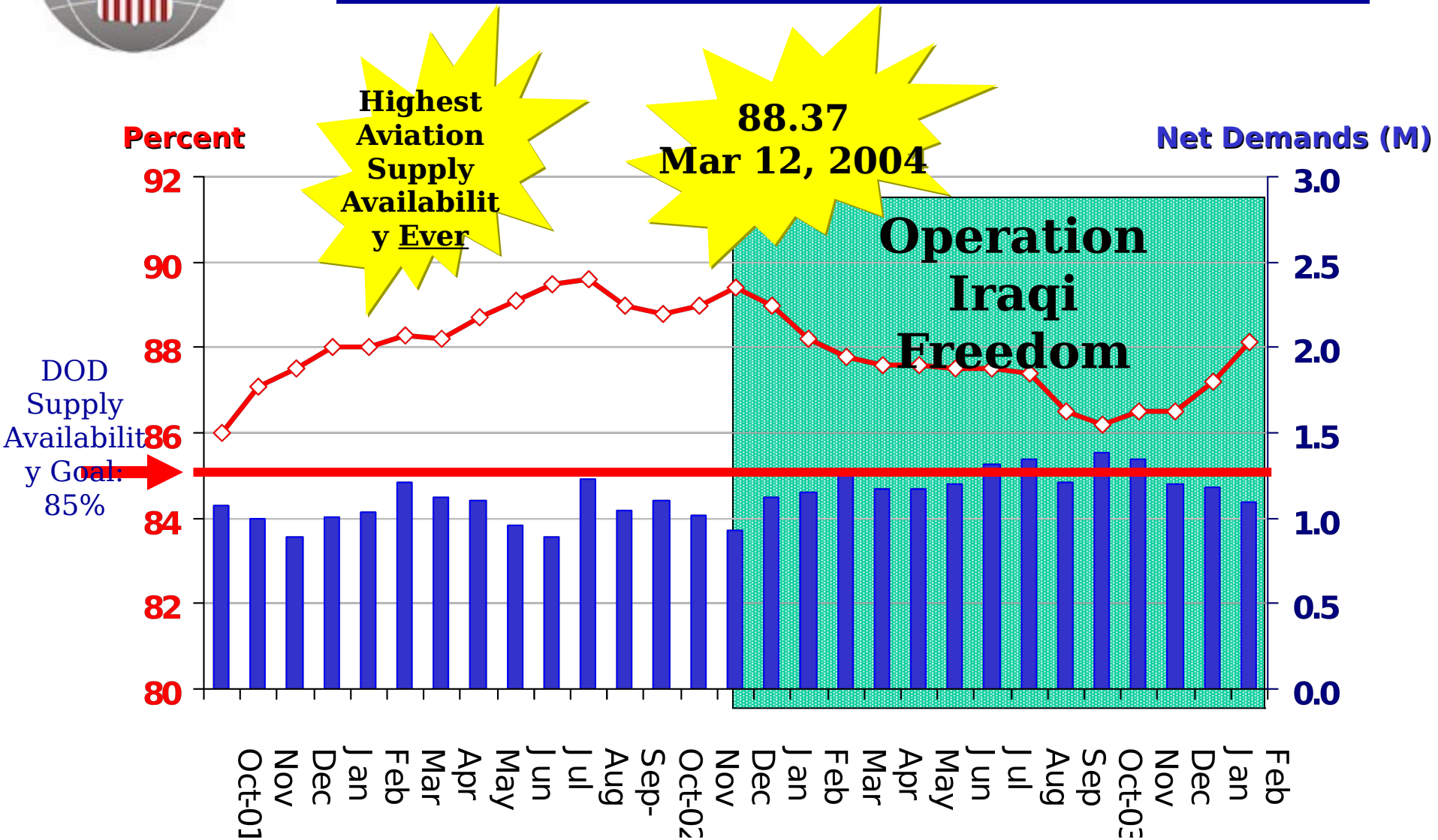
Defense Logistics Agency

**LEAD CENTER:
AVIATION**

**Defense Supply Center
Richmond, VA**



Supply Availability Hardware Total

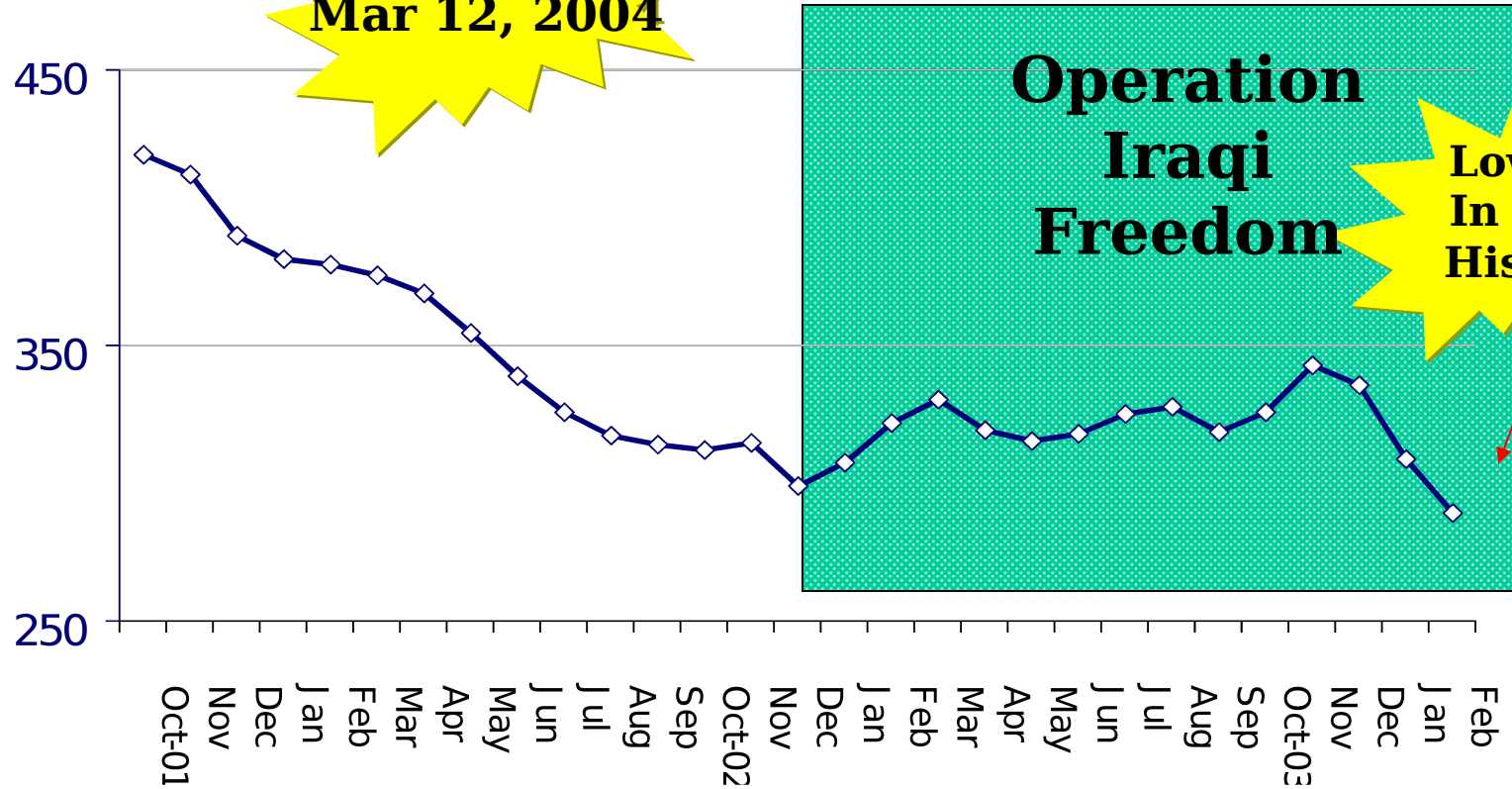




Backorders - Hardware Total

Thousands

278, 930
Mar 12, 2004



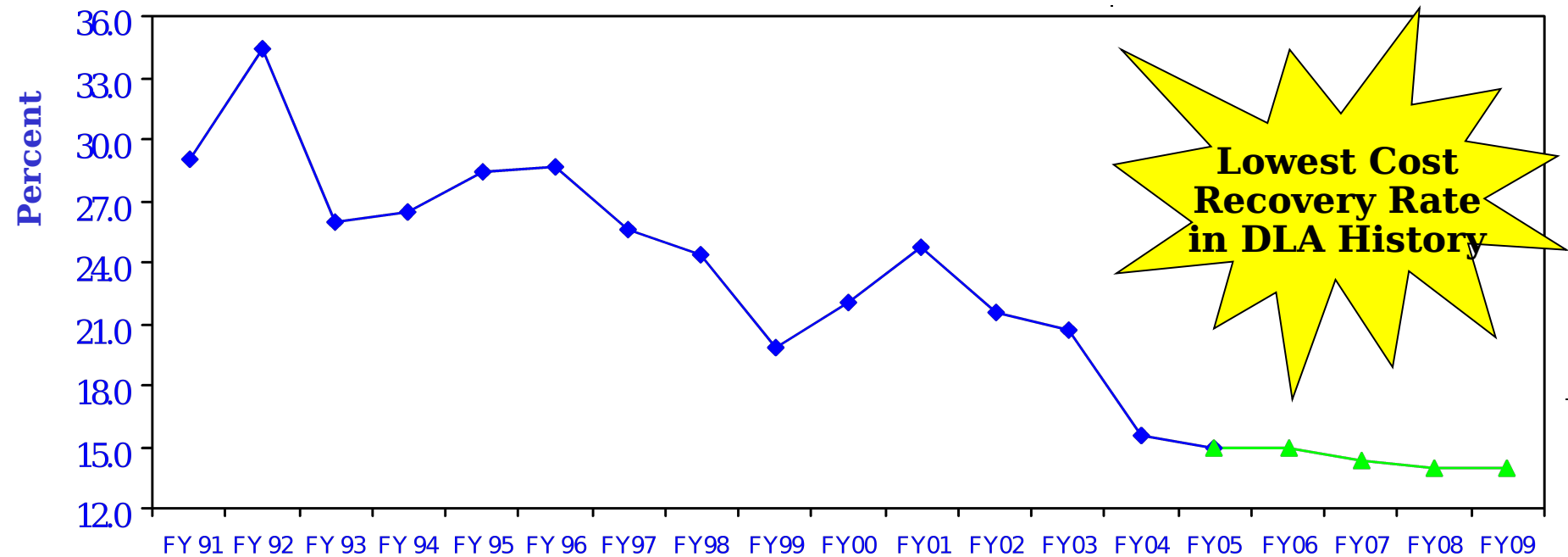
**Lowest
In DLA
History**



Cost Recovery Rates Over Time

CRR %

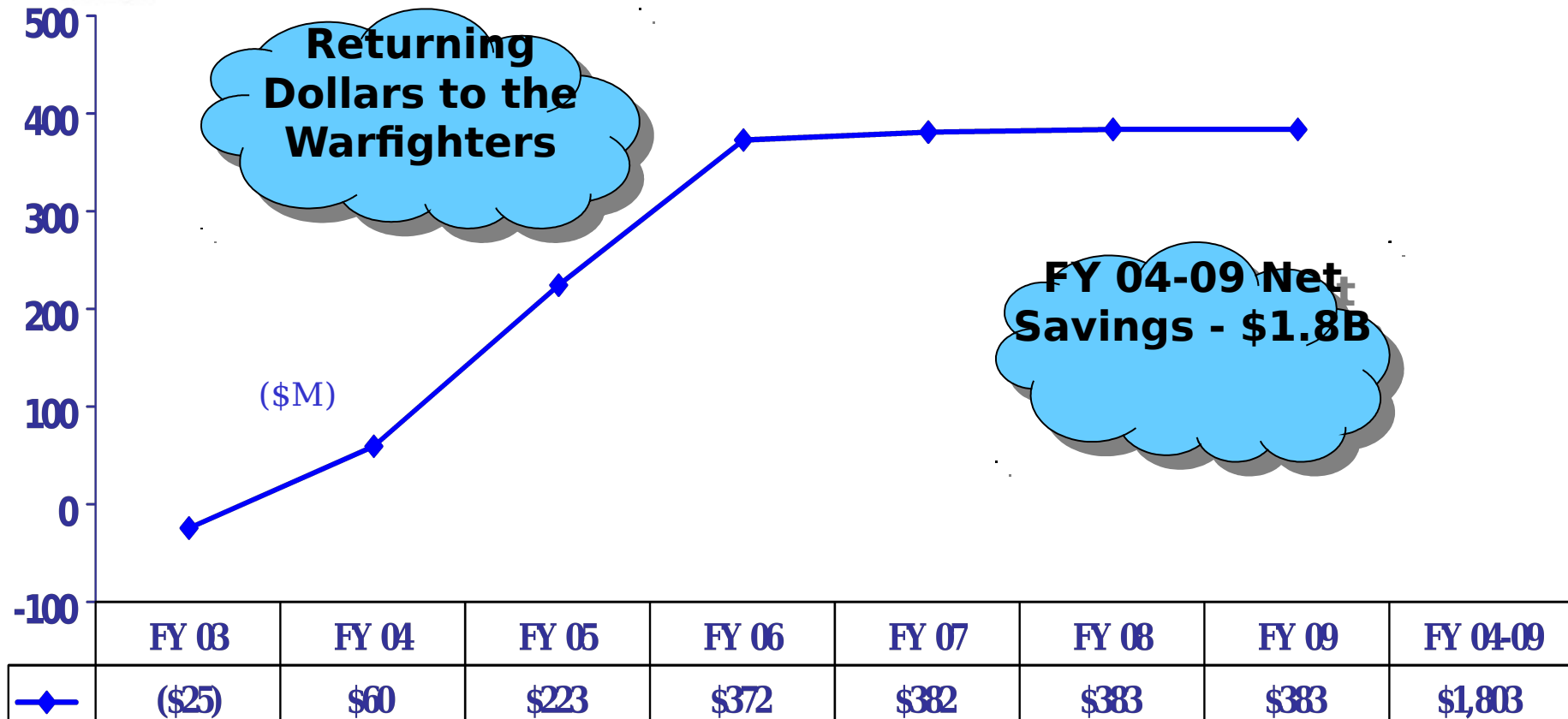
*(Operating Costs as a Percentage
of Total Sales)*



**Savings Returned to
Warfighter**



Returning Dollars To The Warfighters



Competitive Sourcing

Business Systems Modernization

Customer Relationship Management

Commercial Practices

Shift to

Near-Term Investment...Long-Term Savings



Support to Army Weapons Systems & RESET

- **Bought \$1B in Advance Buys for OIF**
 - **Examples... Tents, JLIST, MREs, Construction Materiel, & Repair Parts**
- **Received Obligation Authority (OA) for RESET and OIF/OEF II & III (New Normal)**
 - **Parts On Order or Delivering Now**
- **Close Alignment Ongoing with Army**
 - **ILAP... “Same Sheet of Music”**
 - **Richmond (DSCR) Aligned with AMCOM**
 - **Columbus (DSCC) Aligned with TACOM**

DLA Totally Committed to Supporting

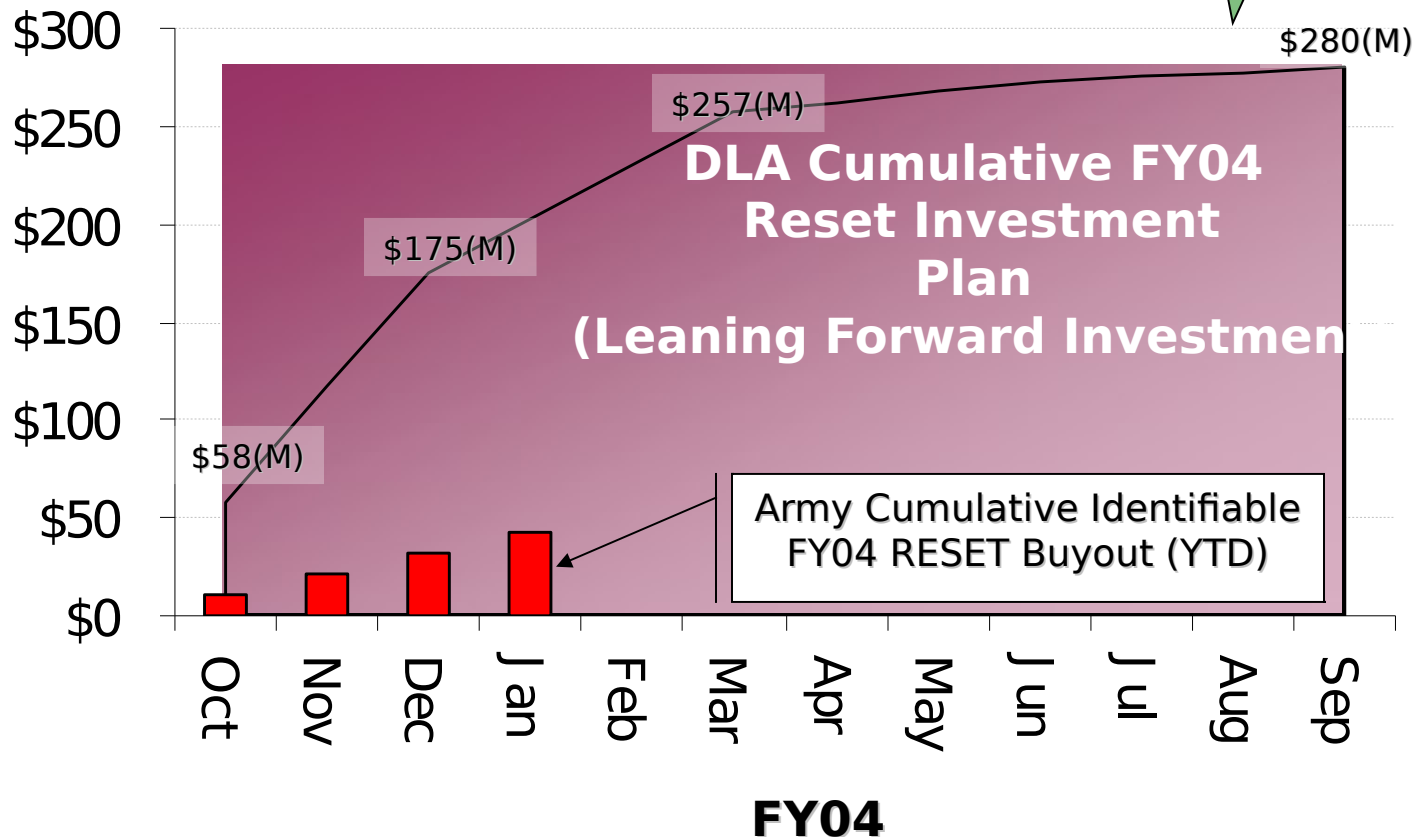
RESET



DLA Additional Investment in RESET

FY04 RESET to date
88% Fill Rate
221K Demands
\$42(M)

**DLA Additional Inventory Investment
& Army Identifiable RESET Buyout (\$M)**



The background of the slide features a faded, wavy American flag. The stars are visible on the left side, and the stripes flow across the frame. At the bottom, there is a dark silhouette of a group of people standing together.

Supply Chain Integration



Supply Chain Integration Vision

DLA TODAY

One Site/
Many Customers

One Site/
One Customer



Suppliers

DLA
Wholesale

Service Intermediate
Inventories

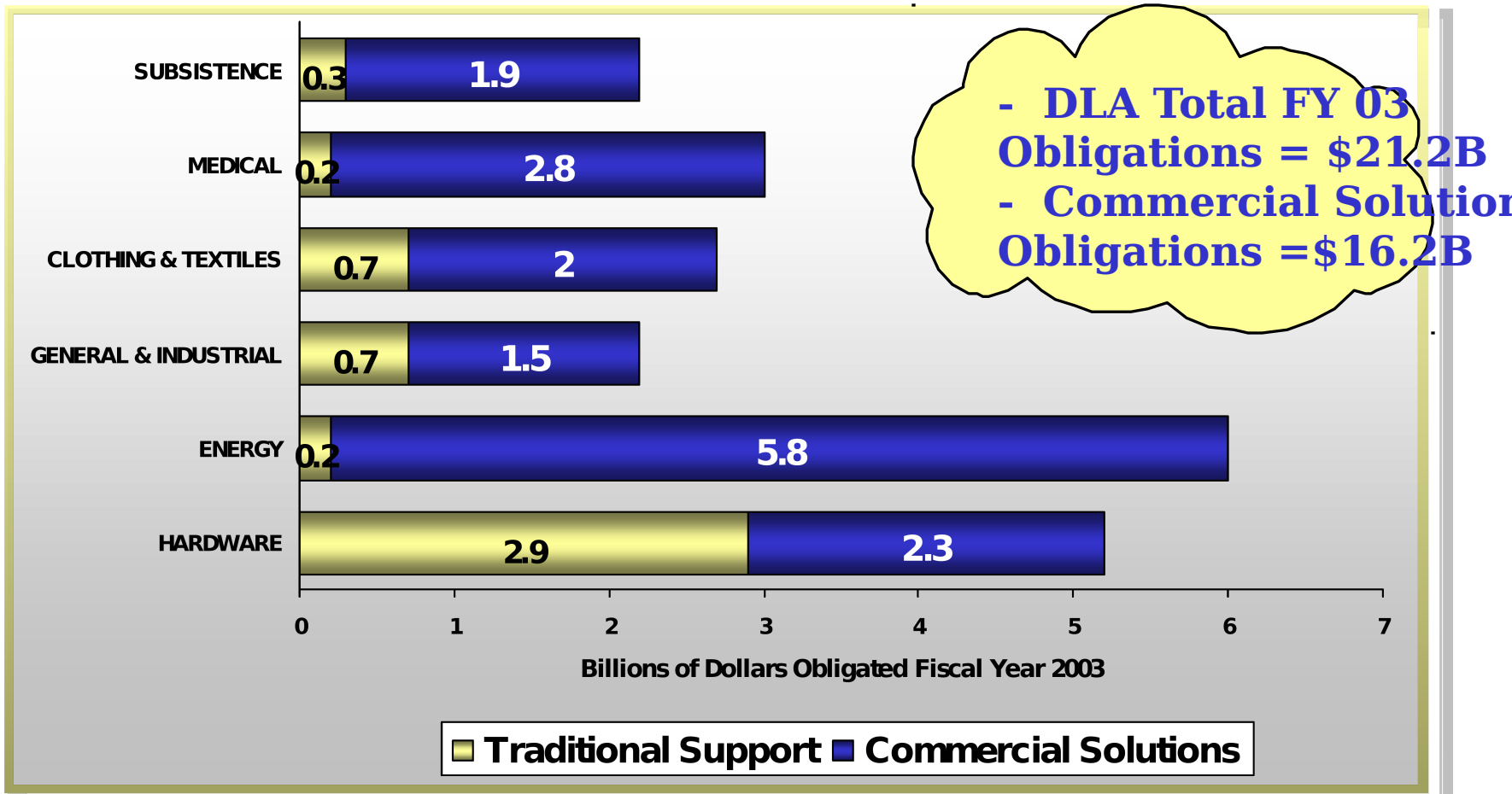
End-Use
Customer

DLA TOMORROW

Cover The Entire Supply Chain...
Manage Suppliers With Weapon
Systems Focus



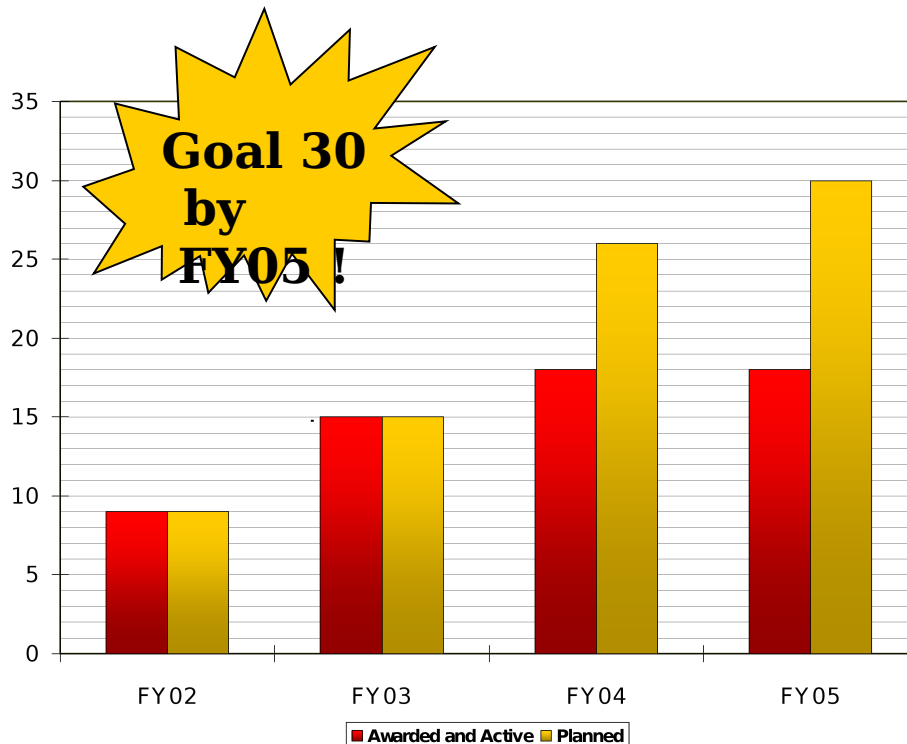
DLA Logistics Enterprise Commercial Solutions



Long Term Performance Based



Strategic Supplier Alliances Overview



DoD IG Mar 2002 Final Report On Honeywell FY00 SSA Contract Award

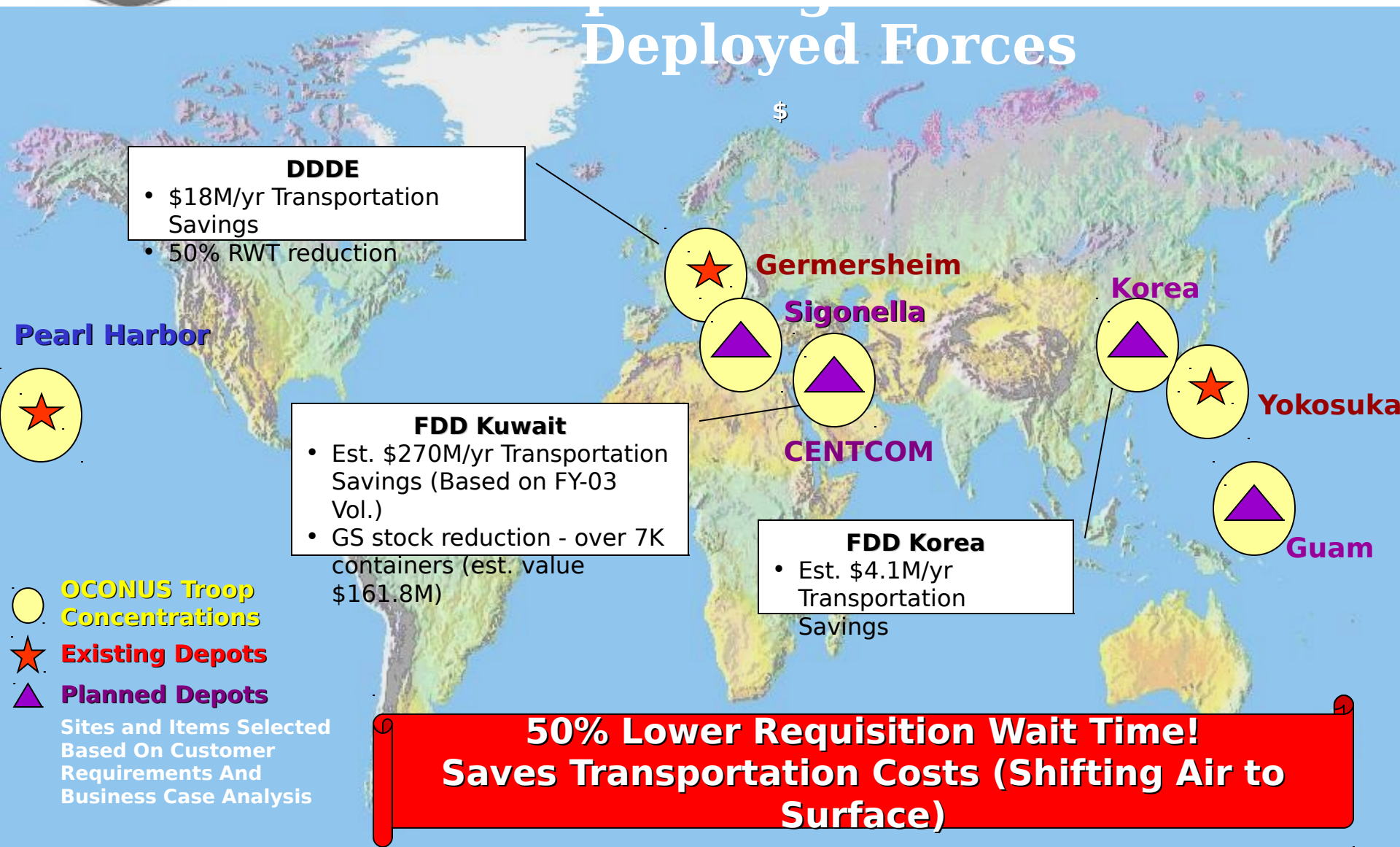
- Customer Prices Will Be Reduced \$59M Over The 12 Year Contract For The First 594 Items
- \$13.9M Inventory Levels For First 221 Items Already Reduced By \$9.8M And Will Be Reduced To Almost Nothing As Inventory Levels Depleted For Catalog Items

Value Proposition for Partners Based on Achieving Improved Readiness at



Distribution Support Services

Deployed Forces



The background of the slide features a faded, wavy American flag. At the bottom, there is a dark silhouette of a crowd of people, suggesting a public gathering or event. The overall tone is patriotic and formal.

The Transformation

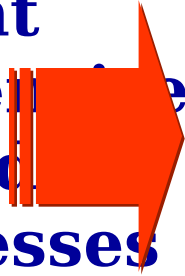


DEA TOMORROW... What We Are Going To Do

FY 03-09

Characteristics:

Light and Agile
Smaller Footprint
Information Interoperable
Knowledge Based
Integrated Processes
Collaboration
Service Oriented
Proactive



Transformation Plan:

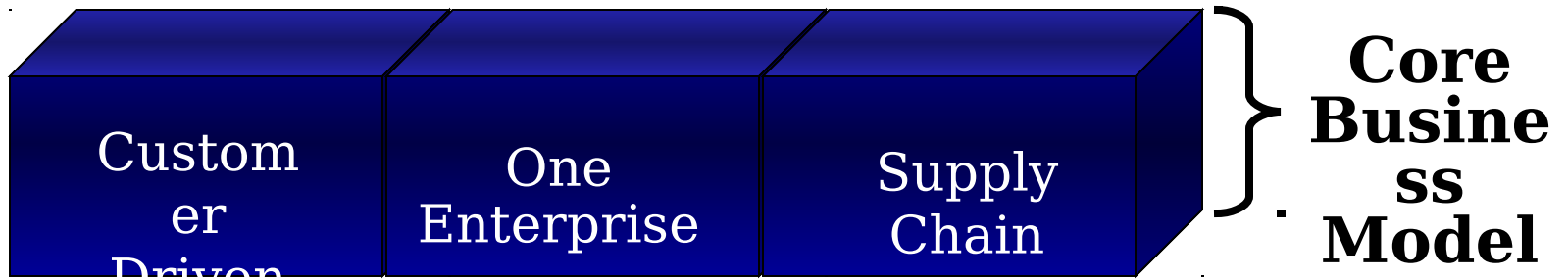
Business Systems
Modernization
Customer Relationship
Management
End to End Supply Chain
Integration
Distribution Planning
Supplier Relationship
Management



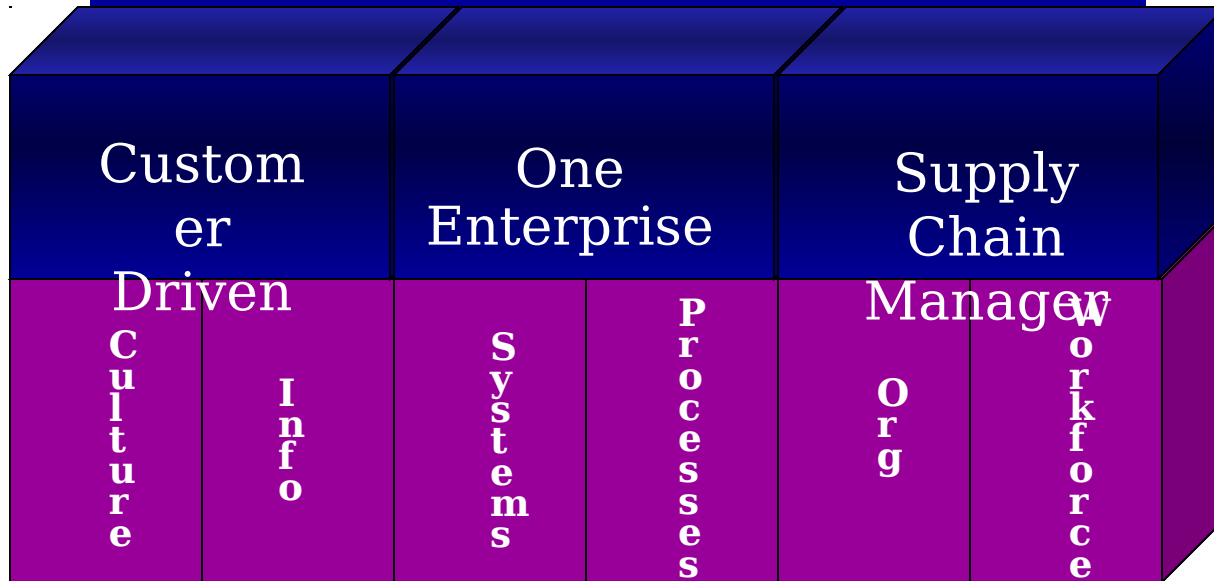
Transformation Strategy

- **9 Major Transformational Initiatives**
- **\$1 Billion+ Investment Committed**
- **\$1.8 Billion Net Savings Committed for Return to the Services**
- **Agency's Core Business Model**
 - **Support to Services - Driven by *Future Requirements***
 - **Suppliers - Manager and Integrator**
 - **Supply Chains - Effective, Efficient and Seamless Partner**
- **End-to-End Internal Overhaul**
- **Collaborating with Services,**

Transformation View from 100,000'



Transformation View from 100,000'

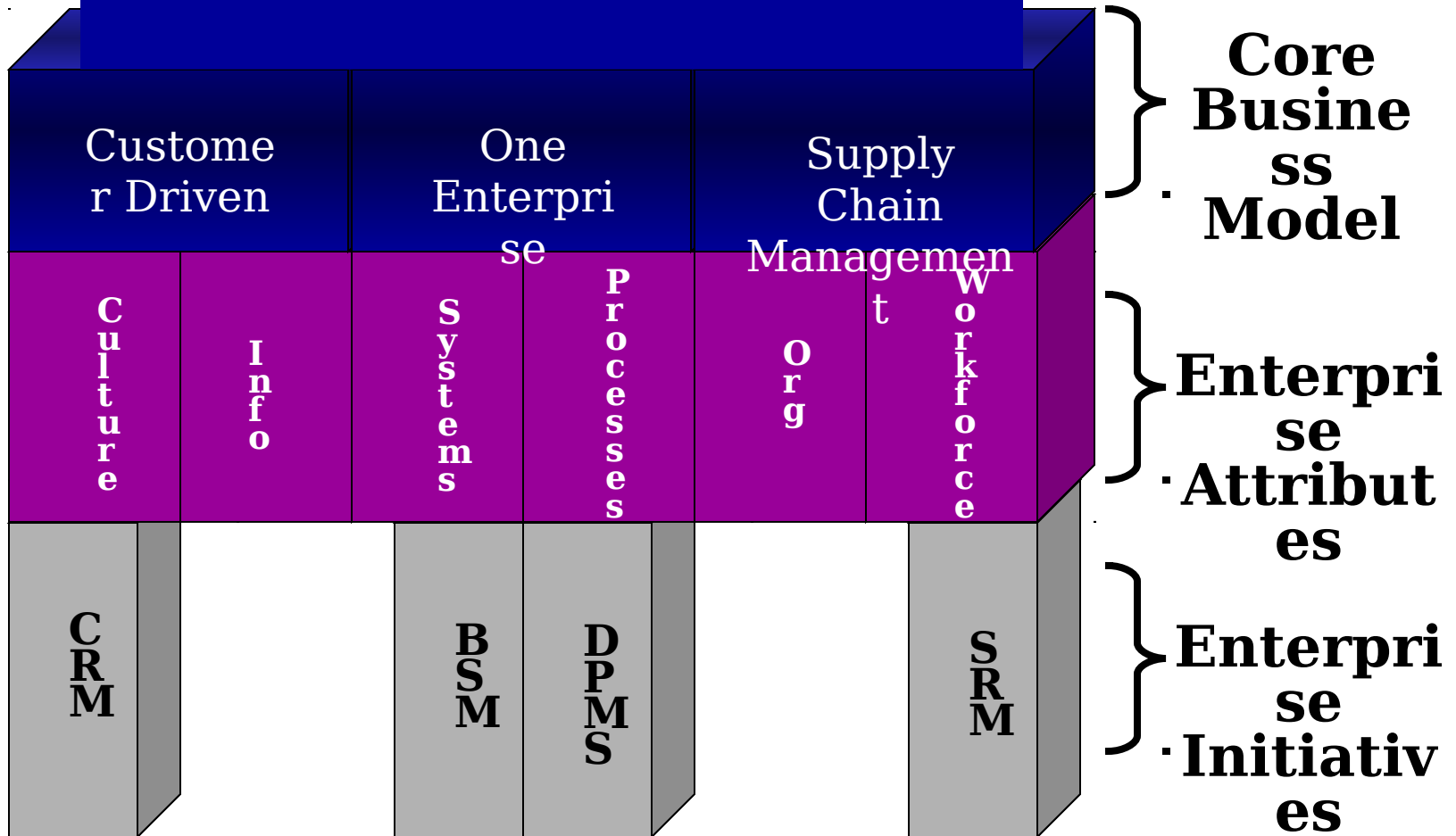




The Transformation - Key Initiatives

- ☐ **Customer Relationship Management, ... CRM**
 - Processes, tools and people to, ...
 - Move from transaction based to partner relationships
- ☐ **Supplier Relationship Management, ... SRM**
 - Strategic Material Sourcing
 - Long term contracts for 500,000 business driver line items
 - Strategic Supplier Alliances
 - Partnering relationships with 32 critical suppliers
 - Extending transactional relationships to partnerships
- ☐ **Business Systems Modernization, ...BSM**
 - End-to-end ERP
 - Order fulfillment, Planning, Tech/Quality, Procurement, Financial
- ☐ **Distribution Planning and Management System (DPMS)**
 - Robust transportation and warehouse optimization
 - Global decision making & management for 22 depots

Transformation View from 100,000'



Transformation View from 100,000'

Transformation
↓

Core Business Model

Contributors

Enterprise Initiatives

Customer Driven

One Enterprise

Supply Chain Management

Culture

Info

Systems

Processes

Org

Workforce

CRM

NIMS

FAS

BSM

DPM S

SD

EA

SRM

IDE

Customers

BRAC A-76

Suppliers



The Transformation Roadman

Business Systems

Modernization

National Inventory Management

Strategy
Dynamic Materiel Pos

**Returning
\$1.8 Billion
to the
Services**

Customer Relations

Mgmt
Executive Agent: fuels-

subsistence
Supplier Relationship

Workforce Transformation

Integrated Data Environmen


Fuels Automated System

Plus

A-76

**&
BRAC 2005**

199 → 200₁₂

The background of the slide features a stylized, wavy American flag with stars and stripes. At the bottom, there is a silhouette of a group of people standing together.

Business Systems Modernization Our ERP & Transformation Backbone

Distribution Planning

Load Planning

Network Warehouse

Management

IT Systems Integrated w/Partners

Manage Vendor & Carrier
Performance

- Customer Insight
- Customer Service
- Emergent Problem Resolution
- Returns

Business Systems Modernization

- Fulfillment
- Planning
- Tech/Quality
- Financial Management
- Procurement

- Strategic Materiel Sourcing
- Strategic Supplier Alliances
- Supplier Partnering

System Architecture (SAP/Manugistics/PD²/Windows 2000)

on Protocols, Standards, Reference Data, Integrated Data Environment

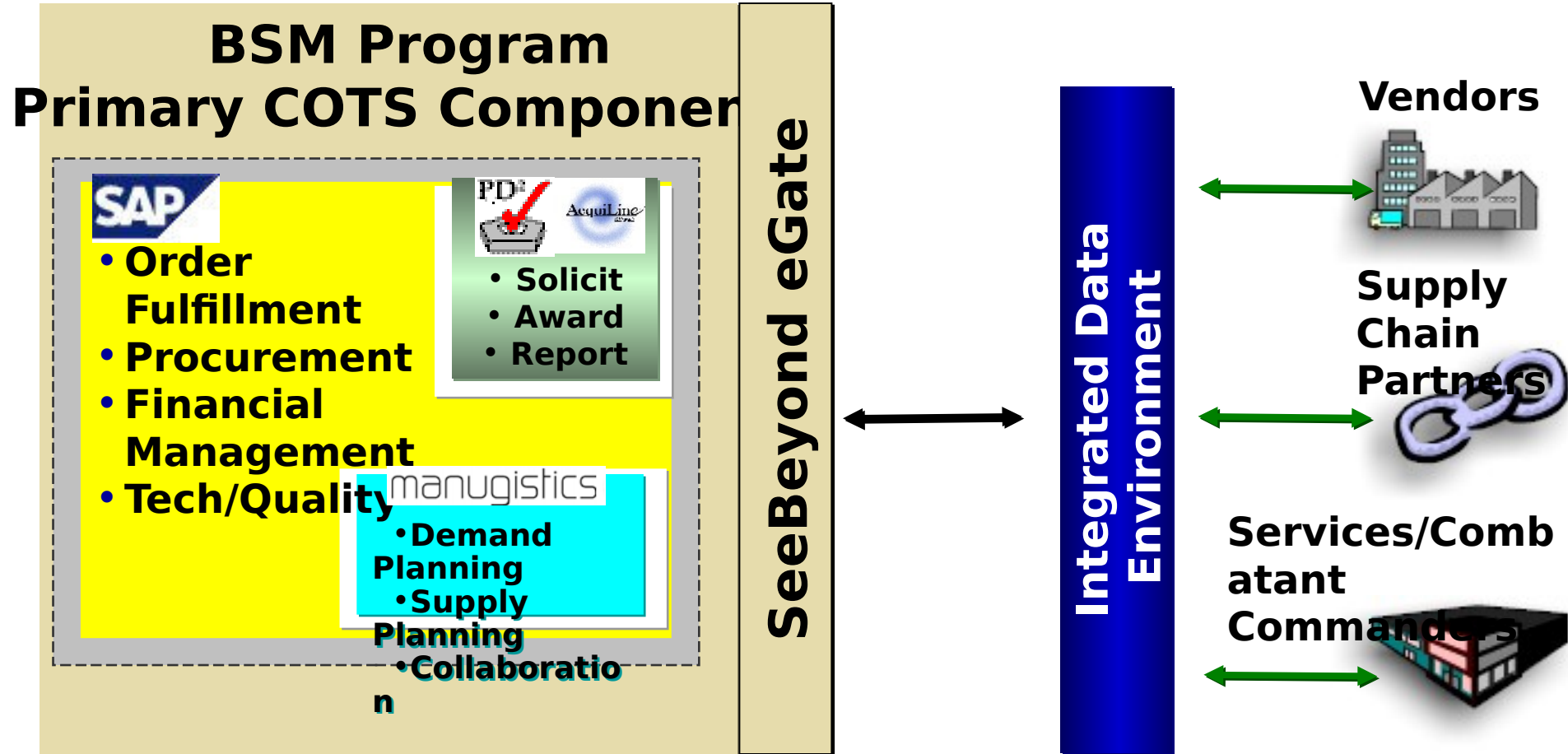
Technical Architecture

Technical Infrastructure



BSM Technical Blueprint

The Core of DLA's Systems Architecture





Release One

- ☐ Proof of concept
- ☐ What preparations were right on target
- ☐ What preparations required adjustment
- ☐ Mitigate risk of mission impact
 - ☐ 80% of functional requirements
 - ☐ 5% of line items, ... 170,000
 - ☐ ~\$300m sales per year
 - ☐ ~320k requisitions per year
 - ☐ ~150k warehouse shipments per year
 - ☐ Fully operational, tested system, trained workforce
 - ☐ Full support for existing customer commitments



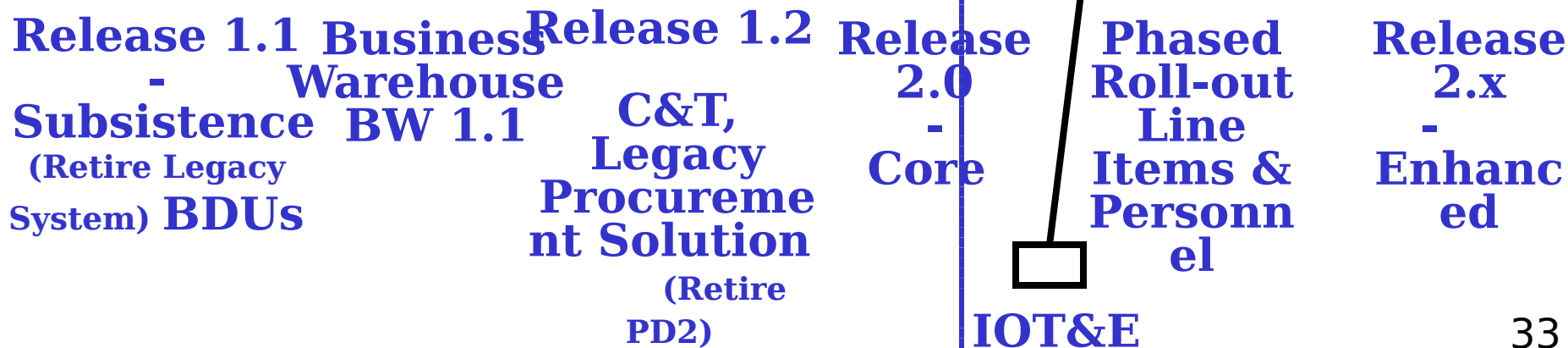
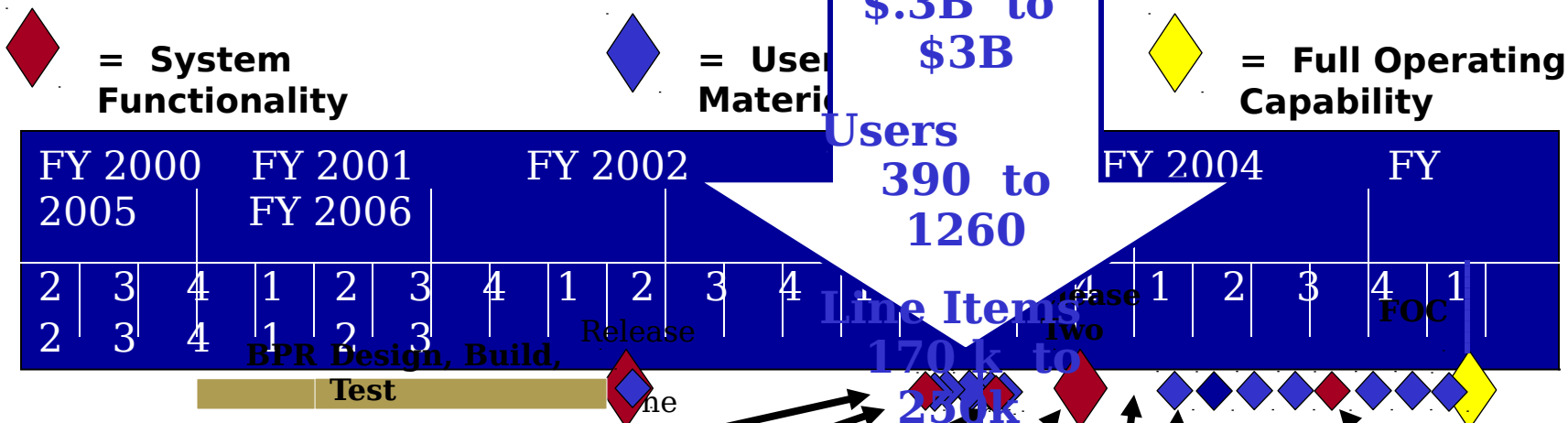
Business Systems Modernization

- ❑ **Successful, ...But**
 - **Harder, Longer & More Resources**
 - **Issues Included: Conversion, System Log-on, Access, Interface, And Responsiveness, Software Configuration and Software-Process Mismatches, COTS Generated Workload, Change Management, Training, Post “Go-live” Support &**

Bulk of Investment, Lessons Learned & Time Line are Behind Us



BSM Schedule





Summary

- **DLA Provides Ready and Responsive Support to Our Warfighters**
- **Performance Continues to Exceed Expectations**
- **DLA has a Robust Transformation Strategy which is Now being Executed through a Comprehensive Portfolio of Initiatives**
- **Agency Committed to Delivering this Large Portfolio of Transformational Initiatives And to Sustaining High Levels of Mission Support**
- **2002-2007 Will Be The Most Challenging**